



Utah Counties Insurance Pool  
*Serving Counties Since 1992*

# *AGENDA*

## **BOARD OF TRUSTEES MEETING**

November 12, 2003, 4:30 p.m.  
Dixie Center, Snow Canyon Room  
1835 Convention Center Drive, St. George

**PLEASE READ:** Minutes

**PLEASE BRING:** Agenda, Minutes

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Call to Order

Dan McConkie

Review of Board Members Absent

Approval of October Minutes

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### **ITEM INFORMATION**

1 Status of Building Agreement

Dan McConkie

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### **ACTION**

2 Risk Management Proposal, January 1, 2004

Rich Stokluska

3 Counties Reinsurance Limited Presentation

Phil Bell

4 Audit Committee Report (Workers Comp Inception Date)

Lynn Lemon

5 Ratification and Approval of Payments

Gene Roundy

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Wrap-up

Other Business

Next Meeting

Adjourn

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### **ADDITIONAL INSTRUCTIONS:**





Utah Counties Insurance Pool  
*Serving Counties Since 1992*

## MINUTES

November 12, 2003, 4:30 p.m.  
Dixie Center, Snow Canyon Room, St. George, Utah

### BOARD MEMBERS PRESENT

Dan McConkie, *President*, Davis County Commissioner  
Lynn Lemon, *Vice President*, Cache County Executive  
Gene Roundy, *Secretary-Treasurer*, Iron County Commissioner  
Steve Baker, Davis County Personnel Director  
Ken Bischoff, Weber County Commissioner  
Kay Blackwell, Piute County Commissioner  
Jim Eardley, Washington County Commissioner  
Jerry Grover, Utah County Commissioner  
Ira Hatch, Emery County Commissioner  
Ed Phillips, Millard County Sheriff  
Kent Sundberg, Utah County Deputy Attorney  
Steve Wall, Sevier County Clerk-Auditor

### OTHERS PRESENT

Lester Nixon, Director  
Mark Brady, Loss Control Manager  
Sonya White, Executive Assistant  
Korby Siggard, VeriClaim, Claims Manager  
Rich Stokluska, Arthur J. Gallagher, Vice President  
Phil Bell, County Reinsurance, Limited, Executive Director

### CALL to ORDER

Dan McConkie called the meeting to order at 4:30 p.m. and welcomed those in attendance.

### REVIEW of BOARD MEMBERS ABSENT

All Board Members were in attendance at this meeting.

### APPROVAL of MINUTES

The minutes from the Board of Trustees meeting held October 16, 2003 were previously sent to the Board for review. Steve Baker made a motion to approve the October 16, 2003 meeting minutes as written. Ed Phillips seconded the motion, which passed unanimously.

### STATUS of BUILDING AGREEMENT

Dan McConkie reported that he met with Brent Gardner and Gary Herbert who explained that the law firm of Ballard Spahr Andrews & Ingersoll is finalizing the new Building Agreement between the Utah Association of Counties (UAC) and the Utah Counties Insurance Pool (UCIP). Dan's understanding is that Brent and Gary want to finalize the Agreement by year end and that this item will be discussed at the UAC Board meeting tonight—although it is not listed on the agenda. Kent Sundberg asked Dan if he had seen a draft of the new Agreement. Dan said he had not. Dan explained that the items needing to be included in the Agreement have been outlined for Ballard Spahr. Brent told Dan that the Agreement is a simple document and will not change much from the original agreement.



#### RISK MANAGEMENT PROPOSAL, JANUARY 1, 2004

Rich Stokluska reported the final quotes to the Board from the liability reinsurance carriers for the 2004 policy program (see attachment #1). A quote was requested from Coregis Insurance Company but an announcement has been made that they are selling their public entity book of business. The Pool's current carrier, American Reinsurance, came back with their best quote at \$835,000. County Reinsurance, Limited re-quoted the program (limits of liability increased due to the Utah tort claims caps) at \$557,598, which includes the one time capitalization requirement and data conversion. Lloyds AXIS quoted \$575,000 but had limits of only \$1 million. Scor Re (a B+ rated company that Gallagher would need a sign-off from the Pool) quoted \$680,000. Even with a seven percent increase in exposures the Pool's premiums have come in below last years premiums.

#### COUNTY REINSURANCE LIMITED PRESENTATION

The Board welcomed Phil Bell the Executive Director of County Reinsurance, Limited (CRL) into the meeting. Phil provided the Board with background information (discussions began with the National Association of Counties in 1994) up to the establishment of CRL in 1997 with five states and eight participating pools (see attachment #2). Today, CRL has 12 states and 19 pools participating. All members are limited to county government. CRL is a pool for pools but not a pool of last resort. Each member must meet a list of criteria. There are 35 states with county pools but because of the legal environment in some states CRL is only interested in writing 25 of those 35 states. CRL operates and is governed by a Board of Directors selected by the membership. Five seats on the Board are held for the founding members and each member has one vote. Phil provided the Board with a financial update and explained that Smith Barney is CRL's financial advisor. CRL's portfolio is conservative with 75% held in government securities and 25% split between small cap stocks, large cap stocks and cash. All investment managers must comply with CRL's Investment Policy. The pricing model used to provide the Utah Counties Insurance Pool (UCIP) with its proposal is based on cost components that include reinsurance, expenses, capitalization and data expense. Pricing is typically higher the first year. If exposures increase capitalization increases and the difference is paid the next year. CRL requires a three year commitment to join. Capital remains with CRL until distribution is decided by the Board of Directors. CRL anticipates to be rated in the next two years—they have been advised to build more surplus and add more members. Financially CRL is a good investment. Surplus to net reserves ratio must be above 33% before a dividend is considered. A minimum of 40% surplus to premium ratio is required by the bylaws and the return on equity/surplus is a gain to equity holders in the company. The only way UCIP would lose equity is if CRL became insolvent. The ten year financial projection continues to show growth. In conclusion, Phil recommended that the Board ask three questions when deciding on a reinsurer: 1) do you know anyone on the Board of Directors; 2) can you talk directly with the Director of the company; and 3) is the word 'county' in their name? The Board thanked Phil and excused him from the meeting. Steve Baker asked Rich Stokluska if Gallagher would need a sign-off letter from UCIP if the Board decides to accept CRL's proposal since CRL is not yet rated. Rich explained that CRL is applying separately as a company to get their own rating so a letter will not be required. Lester Nixon explained that the CRL Underwriting Committee has reviewed UCIP's qualifications and have approved Utah to become a member. Jim Eardley made a motion to accept the County Reinsurance, Limited proposal of \$557,598 for the liability reinsurance 2004 policy program. Ed Phillips seconded the motion, which passed unanimously.

#### AUDIT COMMITTEE REPORT (WORKERS COMP INCEPTION DATE)

Lynn Lemon reported that the Audit Committee held a telephonic conference on Monday, November 3, 2003 to discuss moving the inception date of the Workers Comp Pool to January 1, 2004 from July 1, 2004 pursuant to the request of several counties. Lester Nixon explained that he has discussed this change with the broker and actuary and is confident the Pool can start-up January 1. A January 1 inception date means that the Pool will have to hire a third-party administrator for the claims and bill review instead of hiring its own staff. Alternative Service Concepts (ASC) provided the Pool with a proposal for workers comp when the request for proposals went out for the risk management information system. ASC would like to contract with the Pool for two years. Staff continues to gather information from the counties for the actuary to analyze pricing. Lester will provide the Board with a full proposal at the December 18 meeting.



RATIFICATION and APPROVAL of PAYMENTS

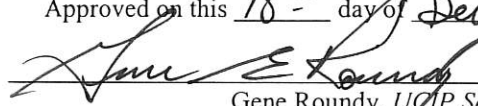
Gene Roundy provided the Board with a listing of the payments made and the payments to be made for review (see attachment #3). Gene Roundy made a motion to ratify the payments made and approve the payments to be made as presented. Kay Blackwell seconded the motion, which passed unanimously.

OTHER BUSINESS

The next meeting of the Board of Trustees will be held on Thursday, December 18, 2003 at 9:00 a.m. at the Utah Counties Insurance Pool building. Items to be discussed at the next meeting include hiring claims staff, committee travel reimbursement and staff holidays.

Respectfully submitted by Sonya White, Executive Assistant.

Approved on this 18<sup>th</sup> day of December 2003

  
Gene Roundy, UCIP Secretary-Treasurer





# **UTAH COUNTIES INSURANCE PROGRAM** **2004 Risk Management Proposal**

## **2004 PROGRAM YEAR** **Marketing Summary**

Description	Expiring	American Reinsurance	CRL	Genesis	Lloyd's AXIS	Scor Re
Casualty (Third-party Liability)	\$732,125	\$835,000	\$557,598	\$800,000	\$575,000	\$680,000
Property	615,244	672,719	672,719	672,719	672,719	672,719
Crime/Employee Dishonesty	5,060	TBD	TBD	TBD	TBD	TBD
Boiler & Machinery	35,067	38,670	38,670	38,670	38,670	38,670
Brokerage Fee	80,000	80,000	80,000	80,000	80,000	80,000
<b>Total Insurance Costs</b>	<b>\$1,467,496</b>	<b>\$1,626,389</b>	<b>\$1,348,987</b>	<b>\$1,591,389</b>	<b>\$1,366,389</b>	<b>\$1,471,389</b>





## County Reinsurance, Limited

A Member-Owned Reinsurance Company

## Background

- 1994 NACo began discussions. NCCAE led the efforts.
- 1994 First Committee Meeting
- 1996 Feasibility Study Completed
- 1997 CRL established as a Vermont Captive with 5 states and 8 pools participating.
- 2003 - Five years, 12 States, and 19 members

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## CRL Members

Arizona Counties Insurance Pool Workers' Compensation Pool	Nebraska Intergovernmental Risk Management Assoc. Liability and Property Pool Workers' Compensation Pool
Association County Commissioners of Georgia Workers' Compensation Pool Property and Liability Pool	New Mexico Association of Counties Workers' Compensation Pool Law Enforcement Pool Property and Liability Pool
Association of Arkansas Counties Workers' Compensation Pool	NC Association of County Commissioners Workers' Compensation Pool Property and Liability Pool
Association of County Commissions of Alabama Liability Pool Workers' Compensation Pool	Tennessee Counties LGIP Property and Liability Pool
County Commissioners Association of Pennsylvania Property and Liability Pool	Texas Association of Counties Workers' Compensation Pool Liability Pool
Kentucky Association of Counties Workers' Compensation Pool	
Missouri Association of Counties Workers' Compensation Pool	

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## CRL Member and Premium Growth

### 1998 Statistics

- 5 States (GA, MO, NC, NM, TX) and 8 Pools.
- Net Revenue: \$4 MM
- Assets: \$13 MM

### 2003 Statistics

- 12 States (AL, AR, AZ, GA, KY, MO, NC, NE, NM, PA, TN, TX) and 19 Pools.
- Net Revenue: \$12 MM
- Assets: \$42 MM

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## What are the Benefits?

- Only for County Governments
- A "Pool" for "Pools"
- Ownership = Control
- Sharing Program Ideas
- Long Term Stability
- Profits and Investment Income

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## How Does CRL Operate

A Board of Directors selected by the Membership governs CRL. The Board of Directors handles policy decisions with most decisions developed and reviewed by the Committees. CRL currently has an Underwriting Committee, an Investment Committee, and a Claims Committee. An Executive Director handles the day-to-day operations of CRL, and coordinates all service providers. Service providers include NACo - FSC, a Domicile Manager, a Reinsurance Broker, a Reinsurer, an Actuary, and an Auditor.

Our Board of Directors and operating committees meet throughout the year via teleconference calls. We also have at least two face-to-face Board Meetings each year. Our spring meeting is typically held near the offices of a prospective or current member. We also plan service visits and training sessions throughout the year, and attend relevant risk management and county-related conferences.

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CRL Financial Projections 2004-2013 (all Projections in thousands)												
Key Variables:												
Investment Return	4.5%											
Underwriting Gain / Loss	-10.0%											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
CRL Net Reserves	\$ 26,700	\$ 34,700	\$ 35,741	\$ 36,813	\$ 37,918	\$ 39,055	\$ 40,227	\$ 41,434	\$ 42,677	\$ 43,957		
CRL Surplus	\$ 6,800	\$ 7,106	\$ 6,989	\$ 11,002	\$ 13,153	\$ 15,452	\$ 17,904	\$ 20,520	\$ 23,306	\$ 26,277		
Total Net Assets	\$ 33,500	\$ 41,806	\$ 44,730	\$ 47,815	\$ 51,071	\$ 54,507	\$ 58,131	\$ 61,954	\$ 65,983	\$ 70,234		
Investment Returns	\$ 1,508	\$ 1,881	\$ 2,013	\$ 2,152	\$ 2,298	\$ 2,453	\$ 2,616	\$ 2,788	\$ 2,969	\$ 3,161		
CRL Premium	\$ 12,000	\$ 12,600	\$ 13,230	\$ 13,892	\$ 14,589	\$ 15,315	\$ 16,081	\$ 16,885	\$ 17,729	\$ 18,616		
Underwriting Gain	\$ (1,200)	\$ (1,260)	\$ (1,323)	\$ (1,389)	\$ (1,459)	\$ (1,532)	\$ (1,608)	\$ (1,689)	\$ (1,773)	\$ (1,862)		
Surplus to Net Reserve Ratio	25.5%	20.5%	25.1%	29.9%	34.7%	39.6%	44.5%	49.5%	54.6%	59.8%		
Surplus to Premium Ratio	56.7%	56.4%	67.0%	79.2%	90.2%	100.9%	111.3%	121.5%	131.5%	141.2%		
Return on Equity/Surplus	4.5%	6.7%	7.7%	6.9%	6.4%	6.0%	5.6%	5.4%	5.1%	4.9%		

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CRL Financial Projections 2004-2013 (all Projections in thousands)												
Key Variables:												
Investment Return	5.0%											
Underwriting Gain / Loss	10.0%											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
CRL Net Reserves	\$ 26,700	\$ 34,700	\$ 35,741	\$ 36,813	\$ 37,918	\$ 39,055	\$ 40,227	\$ 41,434	\$ 42,677	\$ 43,957		
CRL Surplus	\$ 6,800	\$ 6,843	\$ 12,292	\$ 14,834	\$ 17,780	\$ 20,844	\$ 24,136	\$ 27,678	\$ 31,479	\$ 35,558		
Total Net Assets	\$ 33,500	\$ 44,543	\$ 48,033	\$ 51,747	\$ 55,698	\$ 59,899	\$ 64,369	\$ 69,112	\$ 74,156	\$ 79,515		
Investment Returns	\$ 1,843	\$ 2,450	\$ 2,642	\$ 2,846	\$ 3,063	\$ 3,294	\$ 3,540	\$ 3,801	\$ 4,079	\$ 4,373		
CRL Premium	\$ 12,000	\$ 12,600	\$ 13,230	\$ 13,892	\$ 14,589	\$ 15,315	\$ 16,081	\$ 16,885	\$ 17,729	\$ 18,616		
Underwriting Gain	\$ 1,200	\$ 1,260	\$ 1,323	\$ 1,389	\$ 1,459	\$ 1,532	\$ 1,608	\$ 1,689	\$ 1,773	\$ 1,862		
Surplus to Net Reserve Ratio	25.5%	26.4%	34.4%	40.6%	46.9%	53.4%	60.0%	66.8%	73.8%	80.9%		
Surplus to Premium Ratio	56.7%	78.1%	92.9%	107.5%	121.9%	136.1%	150.1%	163.9%	177.6%	191.0%		
Return on Equity/Surplus	44.7%	37.7%	32.3%	28.4%	25.4%	23.2%	21.3%	19.8%	18.6%	17.5%		

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## Summary and Conclusion

- CRL is designed for County Pools.
- CRL Members own and operate the company.
- CRL underwrites and prices carefully.
- CRL is a good investment.
- Three questions to ask your reinsurer.

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**County Reinsurance, Limited**  
**Balance Sheet**  
**September 30, 2003 and 2002**

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
Cash and Money Market Funds	\$4,202,838	\$1,846,091
Investments	29,306,977	18,047,170
Accrued Investment Income	304,449	220,664
IBNR - Reinsured (1)	4,850,706	3,122,049
Outstanding Losses - Reinsured (2)	1,580,992	570,582
Unearned Premiums - Ceded	3,346,725	1,677,285
Accounts and Premium Receivable	659,194	392,568
Deferred Policy Acquisition Costs	18,998	8,978
Prepayments	81,846	55,375
<b>TOTAL ASSETS</b>	<b>\$44,352,723</b>	<b>\$25,940,762</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Reserve for IBNR (1)	\$16,452,494	\$11,118,957
Reserve for Outstanding Losses (2)	11,723,863	6,905,794
Unearned Premiums	8,443,400	3,990,326
Premium Received in Advance	1,345,732	0
Deferred Commissions	261,312	181,354
Premium Taxes Payable	30,008	15,285
Accounts Payable	33,370	42,750
Reinsurance Payable	848,445	1,117,005
<b>TOTAL LIABILITIES</b>	<b>39,138,622</b>	<b>23,371,471</b>
<b>EQUITY:</b>		
Premium Trust Account - Restricted	760,000	600,000
Premium Trust Account - Unrestricted	4,227,750	2,181,758
Premium Trust Account - Special Surplus	107,159	0
Retained Earnings	(1,405,171)	(75,420)
Unrealized Gains/(Losses) on Investments	1,524,361	(137,046)
<b>TOTAL EQUITY</b>	<b>5,214,101</b>	<b>2,569,291</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$44,352,723</b>	<b>\$25,940,762</b>



**County Reinsurance, Limited**  
**Statement of Operations**  
**For the Nine Months Ended September 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Underwriting Revenue:</b>		
Gross premiums written	\$13,335,951	\$6,793,113
Reinsurance premiums ceded	(4,764,310)	(2,476,192)
Net premiums written	<u>8,571,641</u>	<u>4,316,921</u>
Change in unearned premiums - gross	(3,668,638)	(1,063,518)
Change in unearned premiums - ceded	1,244,677	199,963
Net premiums earned	<u>6,147,681</u>	<u>3,453,366</u>
Ceding commission	324,359	225,648
Net underwriting revenue	<u>6,472,039</u>	<u>3,679,014</u>
 <b>Underwriting Expenses:</b>		
Gross losses incurred	8,697,314	4,585,617
Ceded losses	(2,373,520)	(1,245,000)
Premium taxes	30,006	15,285
Change in deferred policy acquisition costs	(8,254)	40,646
Total underwriting expenses	<u>6,345,546</u>	<u>3,396,547</u>
Net underwriting income	<u>126,494</u>	<u>282,467</u>
General and administrative expenses	447,201	400,259
Operating Income	(320,708)	(117,792)
Investment Income	726,292	(525,238)
Investment Expenses	<u>(125,817)</u>	<u>(113,953)</u>
Net investment income	<u>600,474</u>	<u>(639,191)</u>
 <b>Net Income (Loss)</b>	 <u><u>\$279,766</u></u>	 <u><u>(\$756,983)</u></u>



**County Reinsurance, Limited**  
**Statement of Retained Earnings**  
**For the Nine Months Ended September 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Balance Beginning of Period	(1,684,937.00)	681,563.00
Net income for the period	279,766.47	(756,983.38)
<b>Balance End of Period</b>	<b><u>(1,405,170.53)</u></b>	<b><u>(75,420.38)</u></b>



**County Reinsurance, Limited**  
**Cash and money market funds**  
**September 30, 2003**

	<u>2003</u>
Chittenden operating account	1,378,485.76
Money market funds	2,824,351.86
<b>Balance End of Period</b>	<u><u>4,202,837.62</u></u>





**County Reinsurance, Limited****Statement of General and Administrative Expenses - Actual to Budget****For the Nine Months Ended September 30, 2003**

	<u>Actual</u>	<u>Annual Budget</u>	<u>Variance</u>
Management Fees - NACo	0	65,000	(65,000)
Management Fees - USA Risk	46,250	55,000	(8,750)
Management Fees - Marsh	128,574	182,150	(53,576)
Claims Management Consultation	32,991	50,000	(17,009)
Claims System	33,937	61,000	(27,063)
Salary Expense	79,092	100,000	(20,908)
Payroll Taxes	6,079	7,800	(1,721)
Retirement Plan Expense	11,083	14,000	(2,917)
Employee Benefits Expense	6,250	7,500	(1,250)
Payroll Service Fees	653	1,000	(347)
Office Equipment	0	1,500	(1,500)
Office Supplies and Printing	1,397	3,500	(2,103)
Communication Expense	2,042	3,300	(1,258)
Legal Fees	4,686	4,500	186
Audit Fees	7,750	13,000	(5,250)
Actuarial Services	14,170	20,000	(5,830)
Travel	13,379	22,000	(8,621)
Directors Meeting Expenses	17,220	35,000	(17,780)
Insurance	36,261	57,000	(20,739)
Memberships	1,965	3,500	(1,535)
State Filing Fees	600	600	0
Conference Registration	1,085	3,000	(1,915)
Continuing Education	214	500	(286)
Bank Charges	459	350	109
Miscellaneous	1,065	2,500	(1,435)
Expense Reserve	0	20,000	(20,000)
Vermont State Audit	0	0	0
Total	<u>\$447,201</u>	<u>\$733,700</u>	<u>(\$286,499)</u>
Investment Expenses	<u>\$125,817.48</u>	<u>\$160,000.00</u>	<u>(\$34,182.52)</u>





